

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-280-C - ORDER NO. 97-936
OCTOBER 31, 1997

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IN RE: Application of Sterling International)	ORDER
Funding, Inc. d/b/a Reconex for a)	APPROVING
Certificate of Public Convenience and)	CERTIFICATE TO
Necessity to Provide Local Exchange)	PROVIDE LOCAL
Telecommunications Service throughout)	SERVICE
the State of South Carolina.)	

This matter comes before the Public Service Commission of South Carolina ("the Commission") by way of the Application of Sterling International Funding, Inc. d/b/a Reconex ("Reconex" or "the Company"). The Application requests that the Commission issue a Certificate of Public Convenience and Necessity to allow Reconex to provide local exchange telecommunications services in the State of South Carolina. The Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1996), and the Regulations of the Commission.

By letter dated August 6, 1997, the Commission's Executive Director instructed Reconex to publish, one time, a prepared Notice of Filing and Hearing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing and Hearing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings and to provide notice of the

hearing date on this matter. Reconex complied with this instruction and provided the Commission with proof of publication of the Notice of Filing and Hearing. A Petition to Intervene was received from the South Carolina Telephone Coalition ("SCTC").

A hearing was convened on October 15, 1997, at 11:00 a.m. in the Commission's Hearing Room. The Honorable Guy Butler, Chairman, presided. Reconex was not represented by counsel. The Commission Staff ("Staff") was represented by Florence P. Belser, Staff Counsel. SCTC did not appear at the hearing.

Prior to the hearing, Reconex and the SCTC executed a Stipulation dated September 10, 1997. The Stipulation was filed with the Commission prior to the hearing in this matter. As a result of the Stipulation, SCTC withdrew its intervention in the Docket. The Stipulation was introduced as a Hearing Exhibit (Hearing Exhibit No. 1). The Stipulation provides the following:

- (1) The SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Reconex if the Commission makes the necessary findings to grant the Certificate and if all stipulated conditions are met;
- (2) Reconex agrees that any Certificate granted by the Commission will authorize Reconex to provide service only to customers located in non-rural local exchange company ("LEC") service areas except as otherwise provided;
- (3) Reconex agrees that it is not requesting the Commission to find whether competition is in the public interest for rural areas;
- (4) Reconex agrees that it will not provide local service, by its own facilities or otherwise, to any customer in a rural incumbent LEC's service area, unless and until Reconex provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30)

days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Reconex also acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause;

- (5) Reconex agrees that if, after Reconex gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or the Commission institutes a proceeding of its own, then Reconex will not provide service to any customer located within the service area in question without prior and further Commission approval;
- (6) Reconex acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures and guidelines do not conflict with Federal or State law;
- (7) Reconex and the SCTC agree that all rights under Federal and State law are reserved to the rural incumbent LECs, and that the stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled; and
- (8) Reconex agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

This stipulation is consistent with our decision in Order No. 96-494 (Docket No. 96-073-C). It was signed voluntarily by both

the SCTC and Reconex, was filed with the Commission prior to the hearing in this matter, and was made a part of the record at the hearing. We therefore approve the stipulation.

In support of its Application, Reconex presented Todd Meislan, President of Reconex, to testify. The purpose of Mr. Meislan's testimony was to present evidence on the technical, managerial, and financial abilities of Reconex to provide resold local exchange telecommunications services in South Carolina.

DISCUSSION

S.C. Code Ann. §58-9-280 (Supp. 1996) provides that the Commission may grant a certificate to operate as a telephone utility ... to applicants proposing to furnish local telephone service in the service territory of an incumbent LEC.

After full consideration of the applicable law, Reconex's Application, and the evidence presented at the hearing, the Commission finds and concludes that the Certificate sought by Reconex should be granted. The Commission's determination is based on the following criteria as provided in S.C. Code Ann. §58-9-280 (Supp. 1996) and the evidence presented at the hearing which relates to that criteria:

(1) The Commission finds that Reconex possesses the technical, financial, and managerial resources sufficient to provide the services requested. S.C. Code Ann. §58-9-280(B)(1) (Supp. 1996). To demonstrate Reconex's technical qualifications, Mr. Meislan testified that Reconex together with its affiliate, Ameritel Corporation ("Ameritel"), have been providing high quality

residential dial tone service since 1992. Mr. Meislan stated that Reconex is presently in the process of filing for certification nationwide and has received authority to provide resold services in nine (9) states. Further, Mr. Meislan offered that Reconex's affiliate Ameritel is currently providing service in ten (10) states.

Concerning Reconex's managerial qualifications, Mr. Meislan testified that Reconex's senior management team has guided Reconex's affiliate, Ameritel, from a small start-up in 1992 to the largest alternative residential telephone company in the United States. Mr. Meislan further stated that Reconex's management team is highly qualified and that virtually all of Reconex's management personnel have prior telecommunications experience. The witness also offered that Reconex's management directed the combined companies of Reconex and Ameritel to a 59% increase in customer base and a 52% increase in revenues in 1996.

Regarding Reconex's financial resources, the record reveals that Reconex is a privately held Nevada corporation. Mr. Meislan testified that Reconex has sufficient financial resources to provide local services. Mr. Meislan offered that Reconex is one of the fastest growing local exchange carriers in the industry. To illustrate his point Mr. Meislan stated that in 1995 revenues grew by 54% over 1994 and that in 1996 revenues grew over 52% over 1995. Mr. Meislan further stated that Reconex maintains bad debt at 3.5% or less and that Reconex, and its affiliate, maintain no outside financing.

No other party offered any evidence in opposition to Mr. Meislan's testimony. Based on the undisputed evidence of the record, the Commission finds that Reconex possesses the technical, financial, and managerial resources sufficient to provide the services requested.

(2) The Commission finds that Reconex will provide services that will meet the service standards of the Commission. S.C. Code Ann. §58-9-280(B)(2) (Supp. 1996). Mr. Meislan testified that Reconex proposes to provide on a prepaid basis local exchange telecommunications services. Mr. Meislan specifically stated that Reconex will comply with all applicable rules, policies, and statutes applicable to the offering of those services and that Reconex fully intends to meet the Commission's service standards. Furthermore, Mr. Meislan stated that Reconex would make certain changes to its tariff, as suggested by Staff, to bring the tariff into compliance with Commission Rules and Regulations. No party offered any evidence to dispute Mr. Meislan's testimony. Based on the undisputed testimony from Mr. Meislan, the Commission believes, and so finds, that Reconex will provide telecommunications services which will meet the service standards of the Commission.

(3) The Commission finds that Reconex's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3) (Supp. 1996). Mr. Meislan stated that Reconex' service offerings would not adversely impact the availability of affordable local exchange service. Mr. Meislan offered that certification of Reconex would

encourage competition in the marketplace and give rise to greater customer choice and more diversified offerings. No party offered any evidence that the provision of local exchange service by Reconex would adversely affect local rates. Therefore, based on the undisputed evidence of record, the Commission finds that provision of local exchange services by Reconex will not adversely impact affordable local exchange service.

(4) The Commission finds that Reconex will support universally available telephone service at affordable rates. S.C. Code Ann. §58-9-280(B)(4) (Supp. 1996). Mr. Meislan testified that Reconex will comply with the Commission's universal service requirements. No party disputed Mr. Meislan's testimony. Based on the undisputed evidence of record, the Commission finds that Reconex will participate in support of universally available telephone service at affordable rates.

(5) The Commission finds that the provision of local exchange service by Reconex "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1996). Mr. Meislan offered that approval of Reconex to provide services will benefit consumers by encouraging competition in the telecommunications marketplace. Mr. Meislan also offered that approval of Reconex's Application would present an alternative local exchange service offering as an option available to consumers who have been denied a relationship with a more traditional exchange provider such as an ILEC. Mr. Meislan also stated that Reconex's service would provide an option which provides

convenience, accessibility, budgeting certainty, and simplicity. Mr. Meislan's testimony was undisputed as no party offered any evidence that approval of Reconex's Application would adversely impact the public interest. Therefore, the Commission finds that approval of Reconex's Application for a Certificate to provide local exchange service "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1996).

Therefore, based on the findings above, the Commission finds and concludes that the Certificate sought by Reconex should be granted.

IT IS THEREFORE ORDERED THAT:

1. The Application of Reconex for a Certificate of Public Convenience and Necessity to provide resold local exchange telecommunications services in the State of South Carolina is approved.

2. The Stipulation filed by Reconex and the SCTC is approved by this Commission, is binding upon Reconex and the SCTC, and shall be implemented as set forth in the Stipulation. We therefore make no findings or conclusions regarding competition in the rural areas of South Carolina. Reconex shall conduct its operations in compliance with the Stipulation until further Order of the Commission.

3. Reconex shall file, prior to offering local exchange services in South Carolina, a final tariff of its service offerings. The final tariff shall include the modifications and changes as proposed by the Commission Staff and to which Reconex

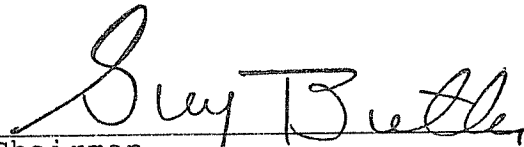
agreed.

4. Reconex shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, and tests and repairs. In addition, Reconex shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Reconex shall file with the Commission the names, addresses, and telephone numbers of these representatives within thirty (30) days of receipt of this Order. (Attachment A shall be utilized for the provision of this information to the Commission.) Further, Reconex shall promptly notify the Commission in writing if the representatives are replaced. Reconex is directed to comply with all Commission regulations unless expressly waived by the Commission.

5. Reconex shall conduct its business in accordance with Commission decisions and Orders, both past and future, including, but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

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ATTACHMENT A

INFORMATION OF THE AUTHORIZED UTILITY REPRESENTATIVES
FOR INTEREXCHANGE, LOCAL AND AOS COMPANIES

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION
REGULATION 103-612.2.4(b), each utility shall file and
maintain with the Commission the name, title, address, and
telephone number of the persons who should be contacted in
connection with Customer Relations/Complaints.

Company Name/DBA Name

Business Address

City, State, Zip Code

Authorized Utility Representative (Please Print or Type)

Telephone Number

Fax Number

E-Mail Address

This form was completed by

Signature

If you have any questions, contact the Consumer Services
Department at 803-737-5230